

**STATEMENT BY UNITED STATES CONGRESSWOMAN LYNN JENKINS  
KANSAS 2<sup>ND</sup> DISTRICT**

**Ways & Means Committee**

**Hearing on China's Exchange Rate Policy**

September 15, 2010

Chairman Levin, Ranking Member Camp and Members of the Committee, thank you for affording me the opportunity to speak to you today in support of Kansas Agriculture as part of this hearing on China's Exchange Rate Policy.

Mr. Chairman and members of the committee, according to the United States Department of Agriculture's Foreign Agriculture Service, agriculture exports to China totaled \$10.6 billion in Fiscal Year 2009 and are on pace to reach nearly \$12 billion this year. This is more than 10 percent of the \$107.5 billion in total forecasted exports for the fiscal year ending September 30. According to USDA, these exports will support over 920,000 American jobs this year.

China's market for American agriculture continues to grow. At the start of the decade it ranked seventh, just behind Taiwan, and was valued at less than \$2 billion a year. By 2004 it ranked fifth with \$6 billion of purchases, and in the past six years, American agricultural products sold to China have nearly doubled. Today, China is our nation's third largest export market.

This market is especially important for my state of Kansas, which is home to more than 65,500 farms that are on pace to produce approximately \$15.5 billion dollar this year. According to USDA's National Agricultural Statistics Service and the U.S. Department of Commerce, Kansas is the sixth largest agricultural exporting state in the nation.

Known as the Wheat State, Kansas leads the nation with \$1.2 billion in wheat exports in 2009. However, Kansas farmers are successful at growing more than just wheat. We also rank fifth in feed grain exports with \$877 million, and ninth in soybean exports with \$847million.

I highlight these three commodities because they represent large import commodities in China. According to the U.S. Department of Commerce and the United States International Trade Commission, China purchased \$9.2 billion worth of U.S. soybeans, \$87.3 million worth of U.S. wheat and \$52.5 million worth of corn in 2009.

While we may not agree on all policies, one economic policy that the President and all Members of Congress appear to agree on is support for Main Street. In the Second District of Kansas, agriculture exports are the economic drivers for most of the communities. The Chinese market for Kansas goods not only helps farmers, it also keeps the grocery stores, pharmacies, insurance agencies and service stations in business. That helps the school districts meet their budgets, keep and hire new teachers and fund student activities. So not only is a strong agricultural export market good for Main Street in Atchison, Kansas, but it is good for Maple Street in Garnett, Lincoln Street in Wamego and Madison Avenue in Iola.

Not all sectors of our economy fare as well as agriculture, as is apparent from our nearly \$227 billion trade deficit last year. Some point to China's manipulation of their currency as the basis for this deficit. While it is obvious that China's currency is undervalued, there are many contributing factors beyond the undervaluing of the Chinese Yuan, including subsidies and harmful "indigenous innovation" policies of the Chinese central government.

In reality, the deficit spending of our own federal government has given the Chinese the ability to shield itself from market pressures on its currency. Of our \$13 trillion national debt, China is our largest lender, holding nearly \$2.5 trillion in U.S. Securities, \$850 billion of which was purchased through June of this fiscal year. In essence, our willingness to operate in deficit allows the Chinese government to remove dollars from their domestic economy and use them to purchase U.S.-dollar-denominated securities.

In order to maintain an open and productive trade between China and the rest of the world, China must allow the open market to determine the value of the Reniminbi. However, dealing with this issue should not cause more harm than good. Any action that the United States might take to prompt China to

revalue its currency must be considered in the broader context of how it will affect our entire economy. Many proposals beyond reducing federal deficits could hamper agriculture markets, raise prices for U.S manufacturers, and further threaten U.S. jobs.

For this reason, I encourage the committee to proceed with great caution as you address this very difficult issue. Thank you again for your time.